

Message Text

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PAGE 01 AMMAN 02264 081532Z
ACTION PM-05

INFO OCT-01 NEA-10 ISO-00 NSC-05 SP-02 SS-15 CIAE-00
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FM AMEMBASSY AMMAN
TO SECSTATE WASHDC 5354
INFO SECDEF WASHDC
AMEMBASSY TEHRAN
DA WASHDC
CDR DARCOM ALEX VA
DCDR USASAC NCAD PA
USCINCEUR
CARMISH MAAG TEHRAN

C O N F I D E N T I A L AMMAN 2264

FOR: DSAA/ASD:-ISA
DA-DALO-ILP
USCINCEUR-ECJ4/7

E.O.11652: GDS
TAGS: MASS, JO, IR
SUBJECT: REBUILD BY IRAN OF JORDANIAN M48 TANKS

REF: A) TEHRAN 01417 B) 77 STATE 207984 (DTG 310241 AUG 77)
C) STATE 054135 (DTG 022323Z MAR 78)

1. WE HAVE A PROBLEM WITH THE PROPOSAL IN REF C THAT THE LOA FOR
RETROFIT KITS FOR THE REBUILD OF JORDANIAN M48 TANKS BE PREPARED FOR
SIGNATURE BY THE GOVERNMENT OF JORDAN (GOJ), WITH BILLS TO BE
PRESENTED TO GOVT OF IRAN (GOI) FOR PAYMENT, BUT GOJ REMAINING
LIABLE FOR PAYMENT IF GOI FAILS TO PAY BILLS, FROM OUR STANDPOINT,
THIS UNDULY COMPLICATES THE PROCESS WHEREBY GOI HAS APPARENTLY
UNDERTAKEN TO REBUILD TANKS AT NO COST TO JORDAN. JORDAN CLEARLY
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PAGE 02 AMMAN 02264 081532Z

DOES NOT HAVE THE MONEY TO MAKE THE PURCHASE IN THE FIRST PLACE,
NOR TO PAY IF IRAN FAILS TO DO SO, A PROSPECT WHICH WE VIEW AS
HIGHLY UNLIKELY. EMBASSY WOULD NOT IN FACT BE ABLE TO RECOMMEND
APPROVAL OF THIS CASE IF JORDAN WAS FORCED TO BE LIABLE FOR PAYMENT
IF IRAN WERE TO FAIL TO PAY THE BILLS. IN ONLY RELEVANT PREVIOUS
CASES, \$44.7 MILLION LOA'S IN 1974 FOR ABU DHABI, FINANCED FMS
CASES SALE OF APC'S WAS SIGNED BY ABU DHABI WHICH HAD RESPONSIBILITY

FOR REPAYMENT.

2. IN LIGHT OF THE ABOVE, IT WOULD SEEM TO MAKE MORE SENSE TO PREPARE THE LOA FOR GOI SIGNATURE AND THEN PERMIT THE KITS TO BE TRANSFERRED TO JORDAN AS PART OF THE MODERNIZED M48A5 TANKS. THIS PROCEDURE MAY CAUSE SOME ADMINISTRATIVE DIFFICULTIES IN WASHINGTON, BUT WE BELIEVE IT SHOULD BE LESS COMPLICATED IN THE LONG RUN. THIS PROCEDURE WOULD HAVE TWO ADVANTAGES:

- (1) CLEARLY CONFIRMING FROM OUTSET ACTUAL GOJ-US-GOI ARRANGEMENT AND THUS
- (2) OBTAINING ANY REPETITION OF PROBLEMS WE HAVE HAD WITH OTHER GUARANTEES SHOULD IRANIANS OVER TIME FOR ANY REASON FIND ORIGINAL ARRANGEMENT LESS THAN SATISFACTORY.

3. WE ALSO THINK IT MAKES SENSE AS A GENERAL FMS PROCEDURE SINCE THE LOA IS PREPARED FOR THE COUNTRY UNDERTAKING TO PAY FOR THE DEFENSE ITEM, AND IN THIS CASE, ALSO FOR THE COUNTRY IN WHOSE TERRITORY THE DEFENSE ITEM WILL ACTUALLY BE INSTALLED. FINALLY, SINCE TRANSFER ARRANGEMENTS WOULD FOLLOW THE SAME PATTERN (I.E., TANKS TRANSFERRED TO IRAN AND THEN TRANSFERRED BACK TO JORDAN), WE BELIEVE IT MAKES GOOD SENSE FOR THE PAYMENT ARRANGEMENTS ALSO TO FOLLOW POSSESSION OR CONTROL OF THE EQUIPMENT.
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